

**Springhill City Court  
Springhill, Louisiana**  
***A Component Unit of the City of Springhill, Louisiana***  
***Annual Financial Statements***  
  
**As of June 30, 2012**

Springhill City Court  
Springhill, Louisiana

Table of Contents

	<u>Page No.</u>
<b>Independent Auditors' Report</b>	1 – 2
<b>Basic Financial Statements:</b>	
Government–Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Government Funds	5
<i>Statement of Revenues, Expenditures, and Changes in</i> Fund Balances – Governmental Funds	6
Statement of Fiduciary Assets and Liabilities – Agency Funds	7
<b>Notes to the Financial Statements</b>	8 - 17
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, Changes in Fund Balances – Budget and Actual (Cash Basis)	
General Fund	18
Witness Fund	19
Probation Fund	20
Notes to Budgetary Comparison Schedules	21
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	22 – 23
<b>Schedules for Louisiana Legislative Auditor:</b>	
Schedule of Prior Year Audit Findings	24
Schedule of Current Year Audit Findings	25

# COOK & MOREHART

*Certified Public Accountants*

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA  
A. EDWARD BALL, CPA  
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA

MEMBER  
AMERICAN INSTITUTE  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

John B. Slattery  
Springhill City Court Judge  
Springhill City Court

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springhill City Court, a component unit of the City of Springhill, Louisiana, as of June 30, 2012, which collectively comprise the Springhill City Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Springhill City Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

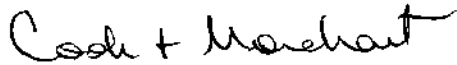
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the Springhill City Court as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2013, on our consideration of the Springhill City Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed as Required Supplementary Information and shown on pages 18 – 21, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us sufficient evidence to express an opinion or provide any assurance.

Springhill City Court has not presented management's discussion and analysis, that governmental accounting principles generally accepted in the United States of America require to be presented to *supplement the basic financial statements*. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script, reading "Cook & Morehart".

Cook & Morehart  
Certified Public Accountants  
January 11, 2013

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Statement of Net Assets  
Governmental Activities  
June 30, 2012

ASSETS

Cash and cash equivalents	\$ 43,793
Investments	8,500
Receivables	130
Prepaid expenses	261
Capital assets, net	<u>1,124</u>
Total assets	<u>53,808</u>

LIABILITIES

Accrued expenses	<u>1,892</u>
Total liabilities	<u>1,892</u>

NET ASSETS

Invested in capital assets	1,124
Restricted for:	
Witness fees	23,372
Probation	27,638
Juvenile probation	1,810
Unrestricted	<u>(2,028)</u>
Total net assets	<u>\$ 51,916</u>

The notes to the financial statements are an integral part of this statement.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2012

	Functions / Programs				
	Total	Judicial	Witness	Probation	Juvenile Probation
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
Expenses:					
Salaries	\$ 221,412	\$ 221,412	\$	\$	\$
Employee benefits	17,675	17,675			
Office expense	12,203	12,136		67	
Travel and other charges	9,004	9,004			
Professional fees	12,883	12,883			
Other	1,139				1,139
Witness fees	2,650		2,650		
Depreciation expense	488	488			
Total expenses	<u>277,454</u>	<u>273,598</u>	<u>2,650</u>	<u>67</u>	<u>1,139</u>
Program revenues:					
Charges for services - fines and fees	159,722	108,019	6,619	40,005	5,079
Operating grants and contributions	129,605	129,605			
Net program revenue (expenses)	<u>11,873</u>	<u>(35,974)</u>	<u>3,969</u>	<u>39,938</u>	<u>3,940</u>
General revenues:					
Interest income	67				
Miscellaneous	8,237				
Total general revenues	<u>8,304</u>				
Change in net assets	20,177				
Net assets - beginning	<u>31,739</u>				
Net assets - ending	<u>\$ 51,916</u>				

The notes to the financial statements are an integral part of this statement.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Balance Sheet  
Governmental Funds  
June 30, 2012

	Major Funds			Non - Major Fund	Total Governmental Funds
	General Fund	Witness Fund	Probation Fund	Juvenile Probation Fund	
<b>Assets</b>					
Cash and cash equivalents	\$	\$ 14,495	\$ 27,521	\$ 1,777	\$ 43,793
Investments		8,500			8,500
Receivables	130				130
Due from other funds		377	117	33	527
<b>Total assets</b>	<u>\$ 130</u>	<u>\$ 23,372</u>	<u>\$ 27,638</u>	<u>\$ 1,810</u>	<u>\$ 52,950</u>
<b>Liabilities</b>					
Accrued expenses	\$ 1,892	\$	\$	\$	\$ 1,892
Due to other funds	527				527
<b>Total liabilities</b>	<u>2,419</u>				<u>2,419</u>
<b>Fund Balance (Deficit)</b>					
Restricted		23,372	27,638	1,810	52,820
Unassigned	(2,289)				(2,289)
<b>Total fund balances (deficit)</b>	<u>(2,289)</u>	<u>23,372</u>	<u>27,638</u>	<u>1,810</u>	<u>\$ 50,531</u>
<b>Total liabilities and fund balances</b>	<u>\$ 130</u>	<u>\$ 23,372</u>	<u>\$ 27,638</u>	<u>\$ 1,810</u>	

Amounts reported for governmental activities in the statement of activities are different because:

*Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.* 1,124

*The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.* 261

**Net Assets of Governmental Activities** \$ 51,916

The notes to the financial statements are an integral part of this statement.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	Major Funds			Non - Major Fund	Total Governmental Funds
	General Fund	Witness Fund	Probation Fund	Juvenile Probation Fund	
Revenues:					
Fines	\$ 56,044	\$ 6,619	\$ 40,005	\$ 5,079	\$ 107,747
Court costs	51,975				51,975
Other fees	720				720
Intergovernmental					
On-behalf payments	129,605				129,605
Other	5,000				5,000
Interest income	51	16			67
Miscellaneous	2,517				2,517
Total revenues	<u>245,912</u>	<u>6,635</u>	<u>40,005</u>	<u>5,079</u>	<u>297,631</u>
Expenditures:					
Salaries	91,807				91,807
Employee benefits	17,675				17,675
On-behalf payments	129,605				129,605
Office expense	12,122		67		12,189
Travel and other charges	9,004				9,004
Professional fees	12,883				12,883
Other				1,139	1,139
Capital outlay					
Witness fees		2,650			2,650
Total expenditures	<u>273,096</u>	<u>2,650</u>	<u>67</u>	<u>1,139</u>	<u>276,952</u>
Excess (deficiency) of revenues over expenditures	<u>(27,184)</u>	<u>3,985</u>	<u>39,938</u>	<u>3,940</u>	<u>20,679</u>
Other financing sources (uses):					
Transfers in	24,883				24,883
Transfers out			(21,283)	(3,600)	(24,883)
Total other financing sources (uses)	<u>24,883</u>		<u>(21,283)</u>	<u>(3,600)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(2,301)</u>	<u>3,985</u>	<u>18,655</u>	<u>340</u>	<u>20,679</u>
Fund balances at beginning of year	<u>12</u>	<u>19,387</u>	<u>8,983</u>	<u>1,470</u>	
Fund balances (deficit) at end of year	<u>\$ (2,289)</u>	<u>\$ 23,372</u>	<u>\$ 27,638</u>	<u>\$ 1,810</u>	

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation (\$488) exceed capital outlays expense of (\$0).

(488)

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.

(14)

Change in net assets of governmental activities

\$ 20,177

The notes to the financial statements are an integral part of this statement.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2012

**Assets**

Cash and cash equivalents	<u>\$ 41,920</u>
Total assets	<u><u>\$ 41,920</u></u>

**Liabilities**

Unsettled deposits	<u>\$ 41,920</u>
Total liabilities	<u><u>\$ 41,920</u></u>

The notes to the financial statements are an integral part of this statement.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012

## INTRODUCTION

The Springhill City Court (the Court) was created under the authority of Louisiana Revised Statute 13:1872. Its jurisdiction extends throughout all of Ward Two of Webster Parish. Court expenses such as payroll and related costs, maintenance, utilities, etc., are paid through the General Fund of the City. There are certain funds collected by the Court, pursuant to state statute, which are under the control of the Court and are reported in the accompanying financial statements. The Court pays supplemental salaries to its employees from these funds. These financial statements account for all activities of the Court not funded by the City.

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, issued in June 1999.

#### B. REPORTING ENTITY

The City Judge is an independently elected official; however, the Court is fiscally dependent on the City. The City maintains and operates the City courthouse in which the Court's office is located. Because the Court is fiscally dependent on the City, the Court was determined to be a component unit of the City, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### C. FUND ACCOUNTING

*The Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.*

Funds of the Court are classified into two categories: governmental funds and fiduciary (agency) funds. These funds are described as follows:

##### Governmental Funds

Governmental funds account for all or most of the Court's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Court. For the year ended June 30, 2012, the City Court's major funds were the general fund, witness fund, and probation fund.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

A description of the courts funds is as follows:

*General Fund* - The General Fund is the general operating fund of the Court. The Court's share of court costs assessed by City Court, collections of traffic fines, and collections of court-imposed fines remitted to City Court are all accounted for in this fund. General operating expenditures are paid from this fund.

*Special Revenue Funds* - These funds are established to account for the proceeds of specific revenue sources, other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

*Witness Fund* - This fund is used to account for witness fees received that are legally restricted for the payment of witness fees.

*Probation Fund* - This fund is used to account for probation fees collected that are legally restricted for the administration and operation of the probation department.

*Juvenile Probation Fund* - This fund is used to account for juvenile probation fees and restitution collected that are legally restricted for the administration and operation of the juvenile probation department and the payment of restitution.

#### Fiduciary Funds

The only funds accounted for in this category by the Court are agency funds. The Civil, Fines and Bonds, and Worthless Check agency funds account for assets held by the Court as an agent for others pending court action. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the accrual basis of accounting.

#### D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

##### *Fund Financial Statements (FFS)*

The amounts reflected in the Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Court's operations.

The amounts reflected in the Governmental Funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Court considers all revenues available if they are collected within 60 days after the fiscal year end.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

**Revenues**

Recordings, cancellations, criminal costs, and other fees, charges and commissions for services are recorded in the year in which they are earned.

Interest income on time deposits is recorded when susceptible to accrual.

Substantially all other revenues are recorded when received by the Court.

Based on the above criteria, recordings, criminal costs, and other fees, charges, and commissions for service are treated as susceptible to accrual.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Salaries and related payroll taxes and benefits are recorded when employee services are provided to the Court.

**Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid are accounted as other financing sources (uses) and are recognized when the underlying events occur.

**Government-wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities display information about the Court as a whole. These statements include all the non-fiduciary activities of the Court. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed).

**Program Revenues** – Program revenues included in the Statement of Activities are derived directly from Court users as a fee for services; program revenues reduce the cost of the function to be financed from the Court's general revenues.

**E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety (90) days or less when purchased. Under state law, the Court may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

**F. CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer equipment	5 – 7 years
Office equipment	5 – 7 years

**G. INTERFUND ACTIVITY**

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**H. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

**I. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**J. NET ASSETS**

Net assets represent the difference between assets and liabilities. Unrestricted net assets represent net assets not appropriable for expenditures or legally segregated for a specific future use. Restricted net assets represent external restrictions imposed by laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Court's policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

**K. FUND BALANCE**

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

1. *Nonspendable fund balances* are associated with inventories, prepaids, long-term loan and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted fund balances* include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed fund balances* include amounts that can be used only for the specific purposes determined by a formal action of the Springhill City Court Judge (the Court's highest level of decision making authority),
4. *Assigned fund balances* are intended to be used by the Court for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned fund balance* are the residual classification for the Court's general fund and include all spendable amounts not contained in the other classifications.

The Court's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

(2) BUDGET

The proposed budget for the year ended June 30, 2012 was adopted prior to the beginning of the fiscal year and was prepared on the cash basis of accounting which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). All appropriations lapse at year-end.

*Formal budget integration is employed as a management control device during the year. Budget amounts included in the accompanying financial statements include the original and amended budgets. There was one amendment to the budget for the year ended June 30, 2012.*

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2012, the Court has cash, cash equivalents, and investments (book balances) totaling \$94,213 as follows:

A. Cash and cash equivalents:

Governmental Funds:

Witness Fee Fund	\$ 14,495
Probation Fund	27,521
Juvenile Probation Fund	<u>1,777</u>
Total Governmental Funds	<u>43,793</u>

Fiduciary (Agency) Funds:

Civil Fund	37,283
Fines Fund	1,016
Worthless Check Fund	<u>3,621</u>
Total Fiduciary (Agency) Funds	<u>41,920</u>
Total – All Funds	<u>\$ 85,713</u>

These deposits with financial institutions are stated at cost, which approximates market value. At June 30, 2012, the carrying amount of the Court's deposits was \$85,713, and the collected bank balance was \$118,321. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Court in a holding or custodial bank that is mutually acceptable to both parties.

B. Investments

At June 30, 2012, the court held a certificate of deposit totaling \$8,500 in the Witness Fund that was classified as an investment since its maturity was in excess of ninety days subsequent to the initial purchase. The certificate of deposit is carried at cost which approximates market value and is secured by federal deposit insurance. Investments are limited by Louisiana Revised Statute (R. S.) 33:2955.

C. Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. At year end, bank balances of \$126,820 were protected by federal depository insurance.

*Interest Rate Risk:* The Court's certificates of deposit have maturities of two years or less which limits exposure to fair value losses arising from rising interest rates.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

*Credit Risk:* The Court's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Court may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Court may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Governmental Activities:				
Computer equipment	\$ 16,489	\$	\$	\$ 16,489
Office equipment	17,565			17,565
Totals at historical cost	<u>34,054</u>			<u>34,054</u>
Less accumulated depreciation				
Computer equipment	(14,954)	(411)		(15,365)
Office equipment	(17,488)	(77)		(17,565)
Total accumulated depreciation	<u>(32,442)</u>	<u>(488)</u>		<u>(32,930)</u>
Governmental activities capital assets, net	<u>\$ 1,612</u>	<u>\$ (488)</u>	<u>\$</u>	<u>\$ 1,124</u>

(5) LEASES

The Court leases a copier under an operating lease. Rental costs on the lease for the year ended June 30, 2012 were \$1,102. Commitments under this lease agreement having initial remaining terms in excess of one year are as follows:

For the Year Ending June 30,	
2013	\$ 1,098
2014	1,098
2015	<u>1,098</u>
Total minimum future rentals	<u>\$ 3,294</u>

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

(6) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Funds:		
General	\$ 24,883	\$ -
Probation Fund	-	21,283
Juvenile Probation Fund	-	3,600
	<u>\$ 24,883</u>	<u>\$ 24,883</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

(7) INTERFUND BALANCES

Interfund balances at June 30, 2012 consisted of the following:

	<u>Due To Other Fund</u>	<u>Due From Other Fund</u>
Governmental Funds:		
General	\$ 527	\$ -
Witness Fund	-	377
Probation Fund	-	117
Juvenile Probation Fund	-	33
	<u>\$ 527</u>	<u>\$ 527</u>

(8) CHANGES IN AGENCY FUND BALANCES

A summary of changes in agency fund unsettled deposits follows:

	<u>Civil Fund</u>	<u>Fines Fund</u>	<u>Worthless Check Fund</u>	<u>Total</u>
Balance at June 30, 2011	\$ 35,698	\$ 1,142	\$ 3,621	\$ 40,461
Additions	112,043	288,632	-	400,675
Reductions	<u>( 110,458)</u>	<u>( 288,758)</u>	<u>-</u>	<u>( 399,216)</u>
Balance at June 30, 2012	<u>\$ 37,283</u>	<u>\$ 1,016</u>	<u>\$ 3,621</u>	<u>\$ 41,920</u>

(9) RETIREMENT SYSTEM

The Springhill City Judge is a member of the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006, are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only one single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2007 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000. The footnote to the Financial Statements contains additional details and is also available on-line at: [http://www.lasers.state.la.us/PDFs/Publications and Reports/Fiscal Documents/Comprehensive Financial Reports/Comprehensive%20Financial%20Reports 07.pdf](http://www.lasers.state.la.us/PDFs/Publications%20and%20Reports/FiscalDocuments/ComprehensiveFinancialReports/Comprehensive%20Financial%20Reports%2007.pdf)

Judges hired before July 1, 2006 and after July 1, 2006, are required by state statute to contribute 11.5% and 13.0%, respectively, of gross salary, and the Court is required to contribute at an actuarially determined rate as required by R.S. 11:102. The Court's contribution rates for the fiscal years ending June 30, 2012, 2011, and 2010 were 31.8%, 22% and 18.6%, respectively. The Court's contributions to LASERS for the years ended June 30, 2012, 2011 and 2010 were \$13,231, \$8,143, and \$8,125, respectively.

Information needed to record the net pension obligation / asset and to prepare additional disclosures, including required supplementary information, required by Governmental Accounting Standards Board (GASB) Statement 50, *Pension Disclosures*, for a single employer defined benefit pension plan, as it relates to the Springhill City Court, was not available. Information was obtained on state-wide level, not specific to the Springhill City Court. Therefore, the net pension obligation / asset and additional disclosure information was not available for Springhill City Court.

(10) EXPENDITURES OF THE COURT PAID BY THE CITY

The Court's administrative office is located in a building owned by the City. The costs of maintaining and operating the building, as required by statute, are paid by the City government and are not included in the accompanying financial statements.

(Continued)

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to the Financial Statements  
June 30, 2012  
(Continued)

(11) ON-BEHALF PAYMENTS FOR SALARIES AND BENEFITS

The Court follows GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This standard requires the Court to report in the financial statement on-behalf salary and fringe benefit payments made by the City of Springhill, the Webster Parish Police Jury, and the State of Louisiana to the Court's employees. For the year ended June 30, 2012, the City of Springhill, Webster Parish Police Jury, and the State of Louisiana made supplementary salary and benefit payments totaling approximately \$129,605 to court employees.

Fringe benefits paid by the City of Springhill, Webster Parish Police Jury, and the State of Louisiana include pension plan contributions to the Louisiana State Employees' Retirement System and the Municipal Employees' Retirement System of Louisiana.

(12) SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 11, 2013, the date the financial statements were available to be issued.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Fines and court costs	\$ 101,000	\$ 108,019	\$ 108,019	\$
Interest income	300	51	51	
Miscellaneous	6,000	5,720	8,237	2,517
On-behalf revenue	121,412	121,412	129,605	8,193
Total revenues	<u>228,712</u>	<u>235,202</u>	<u>245,912</u>	<u>10,710</u>
<b>Expenditures:</b>				
General government:				
Accounting	13,000	12,883	12,883	
Dues	950	965	965	
Library	2,200	2,421	2,421	
Computer	2,700			
Office expense	6,500	9,024	9,024	
On-behalf expense	121,412	121,412	129,605	(8,193)
Retirement	12,000	13,231	13,231	
Salaries	87,000	91,808	91,807	1
Taxes - payroll	4,200	4,443	4,443	
Telephone	675	678	678	
Travel, seminars, and meetings	13,000	8,039	8,039	
Total expenditures	<u>263,637</u>	<u>264,904</u>	<u>273,096</u>	<u>(8,192)</u>
Excess of revenues over expenditures	(34,925)	(29,702)	(27,184)	2,518
Other financing sources (uses):				
Transfers in	36,000	24,883	24,883	
Total other financing sources (uses)	<u>36,000</u>	<u>24,883</u>	<u>24,883</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,075	(4,819)	(2,301)	2,518
Fund balance at beginning of year	<u>1,088</u>	<u>3,704</u>	<u>12</u>	<u>(3,692)</u>
Fund balance at end of year	<u>\$ 2,163</u>	<u>\$ (1,115)</u>	<u>\$ (2,289)</u>	<u>\$ (1,174)</u>

See accompanying note to the required supplementary schedule.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
Witness Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
Revenues:				
Fines and court costs	\$ 6,500	\$ 6,250	\$ 6,635	\$ 385
Total revenues	<u>6,500</u>	<u>6,250</u>	<u>6,635</u>	<u>385</u>
Expenditures:				
General government:				
Witness fees	<u>2,500</u>	<u>2,300</u>	<u>2,650</u>	<u>(350)</u>
Total expenditures	<u>2,500</u>	<u>2,300</u>	<u>2,650</u>	<u>(350)</u>
Excess of revenues over expenditures	4,000	3,950	3,985	35
Fund balance at beginning of year	<u>6,300</u>	<u>10,300</u>	<u>19,387</u>	<u>9,087</u>
Fund balance at end of year	<u>\$ 10,300</u>	<u>\$ 14,250</u>	<u>\$ 23,372</u>	<u>\$ 9,122</u>

See accompanying note to the required supplementary schedule.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
*Probation Fund*  
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Other fees and restitution	\$ 37,000	\$ 40,000	\$ 40,005	\$ 5
Total revenues	<u>37,000</u>	<u>40,000</u>	<u>40,005</u>	<u>5</u>
Expenditures:				
General government:				
Office expense	50	75	67	8
Total expenditures	<u>50</u>	<u>75</u>	<u>67</u>	<u>8</u>
Excess of revenues over expenditures	36,950	39,925	39,938	13
Other financing sources (uses):				
Transfers out	(32,283)	(21,283)	(21,283)	
Total other financing sources (uses)	<u>(32,283)</u>	<u>(21,283)</u>	<u>(21,283)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,667	18,642	18,655	13
Fund balance at beginning of year	<u>3,900</u>	<u>8,567</u>	<u>8,983</u>	<u>416</u>
Fund balance at end of year	<u>\$ 8,567</u>	<u>\$ 27,209</u>	<u>\$ 27,638</u>	<u>\$ 429</u>

See accompanying note to the required supplementary schedule.

Springhill City Court  
A Component Unit of the City of Springhill, Louisiana  
Notes to Budgetary Comparison Schedules  
For the Year Ended June 30, 2012

Budget comparison statements included in the accompanying financial statements include the original and amended budgets. There was one amendment to the budget for the year ended June 30, 2012. The following schedule reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the statement of revenues, expenditures and changes in fund balances (budget basis) with the amounts shown on the statement of revenues, expenditures and changes in fund balances (GAAP basis):

	<u>General Fund</u>	<u>Witness Fund</u>	<u>Probation Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (budgetary basis)	\$ ( 2,301)	\$ 3,985	\$ 18,655
Adjustments:			
Revenue accruals – net	–	–	–
Expenditure accruals – net	–	–	–
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ ( 2,301)</u>	<u>\$ 3,985</u>	<u>\$ 18,655</u>

The General fund and the Witness fund had excess expenditures over appropriations in the amount of \$8,192 and \$350, respectively.

# COOK & MOREHART

*Certified Public Accountants*

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA  
A. EDWARD BALL, CPA  
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA

MEMBER  
AMERICAN INSTITUTE  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

John B. Slattery  
Springhill City Court Judge  
Springhill City Court

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springhill City Court as of and for the year ended June 30, 2012, which collectively comprise the Springhill City Court's basic financial statements, and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Springhill City Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Springhill City Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Springhill City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year audit findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current year audit findings as item 2012-2 to be a material weakness.

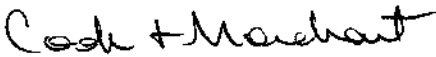
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of current year audit findings as item 2012-1 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springhill City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year audit findings as item 2012-3.

Springhill City Court's response to the findings identified in our audit is described in the accompanying schedule of current year audit findings. We did not audit Springhill City Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart  
Certified Public Accountants  
January 11, 2013

Springhill City Court  
Springhill, Louisiana  
Summary Schedule of Prior Year Audit Findings  
For Louisiana Legislative Auditor  
June 30, 2012

There were two findings for the prior year audit ended June 30, 2011, as follows:

**Reference No.: 2011-1**

*Significant Deficiency:* Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

*Recommendation:* Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

*Current Status:* See repeat deficiency in current year audit.

**Reference No.: 2011-2**

*Material Weakness:* During our audit, we noted that controls over collections of juvenile probation fees were inadequate. There was no monitoring of individuals placed on probation with amounts subsequently collected. In addition, there was no monitoring of amounts collected to amounts subsequently deposited and recorded in the general ledger.

*Recommendation:* We recommend that the individual collecting the probation fees deposit the funds and then provide an accounting of those funds to the Court. We also recommend that someone independent of the collection of the fees monitor the probation activity to ensure proper collection and remittance of the fees to the Court.

*Current Status:* See repeat finding in current year audit.

Springhill City Court  
Springhill, Louisiana  
Schedule of Current Year Audit Findings  
For Louisiana Legislative Auditor  
June 30, 2012

There are three findings for the current year audit ended June 30, 2012, as follows:

**Reference No.: 2012-1**

*Significant Deficiency:* Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

*Recommendation:* Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

*Corrective Action Planned:* Springhill City Court feels that curing this deficiency would not be cost effective or practical due to the size of the court.

**Reference No.: 2012-2**

*Material Weakness:* During our audit, we noted that controls over collections of juvenile probation fees were inadequate. There was no monitoring of individuals placed on probation with amounts subsequently collected. In addition, there was no monitoring of amounts collected to amounts subsequently deposited and recorded in the general ledger.

*Recommendation:* We recommend that the individual collecting the probation fees deposit the funds and then provide an accounting of those funds to the Court. We also recommend that someone independent of the collection of the fees monitor the probation activity to ensure proper collection and remittance of the fees to the Court.

*Corrective Action Planned:* The Court will implement procedures for tracking and monitoring its juvenile probation activities.

**Reference No.: 2012-3**

*Finding:* The Court did not appropriately amend its budget for the Witness fund, in accordance with the Local Government Budget Act. Total expenditures and other financing uses for the Witness fund exceeded budgeted amounts by more than five percent for the year ended June 30, 2012.

*Recommendation:* We recommend that the Court monitor its budget throughout the year and appropriately amend the budget when actual plus projected expenditures and other financing uses exceed budgeted amounts by five percent or more.

*Corrective Action Planned:* The Court will monitor its budget more closely and amend as needed.